



DEPARTMENT OF THE TREASURY

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TREASURY SECRETARY JOHN SNOW STATEMENT ON THE 2003 SOCIAL SECURITY AND MEDICARE TRUST FUNDS REPORT

Today, the Boards of Trustees of the Social Security and Medicare Trust Funds met to complete our annual review of the financial status of the Trust Funds and to forward the Trustees' Reports to Congress. We have just briefed the President on the results contained in the Report on Social Security.

The clear message from the Trustees is that Social Security needs to be reformed and strengthened at the earliest opportunity. It is on an unsustainable path, and will face substantial financial challenges in the near future. The longer we wait, the more difficult the challenge will be to find solutions. I would note that this message has been the consistent message of the Trustees Reports for the past several years, including the prior Administration.

Social Security remains substantially out of long-term balance because of the impending retirement of the baby boomers and increases in longevity. Projected Social Security (OASDI) tax income will begin to fall short of outlays in 2018 and will be sufficient to finance only 73 percent of scheduled annual benefits by 2042, when the combined Social Security (OASDI) trust fund is projected to be exhausted. This year, the program's long-term actuarial deficit worsened slightly, to 1.92 percent of taxable payroll, as the 75-year valuation period moved forward one year to include the large projected deficit in 2077. Even this understates the real dimension of the problem, as is highlighted by this year's report.

The annual costs of Social Security benefits represent 4.4 percent of gross domestic product (GDP) today and are projected to rise to 7.0 percent of GDP in 2077. To support Social Security's growing outlays would require a significant increase in payroll taxes over today's rates, or substantial reductions in benefits. Indeed, when considering all years even beyond the traditional 75-year valuation period, even larger changes would need to be made to achieve permanent solvency of the program. The clear implication is that we must work now to put Social Security on a firm and sustainable financial footing for the future.

I believe that personal retirement accounts are an important part of any long term solution. American families prefer having accounts that they own and control and that they can use for support during retirement and to leave to their children. Strengthening retirement security is a

priority for this Administration. We must work together in a bipartisan manner to preserve and protect retirement security for Americans young and old.

The Trustees' Report makes one thing eminently clear: inaction is not an option. It is my hope that, with the constructive leadership provided by this Administration and Members of Congress, we can create the climate necessary for action to restore long-term financial health to this program. The longer we wait, the more difficult the challenge will be to find solutions.